

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7312**

**BILL NUMBER:** HB 1753

**NOTE PREPARED:** Feb 23, 2007

**BILL AMENDED:** Feb 20, 2007

**SUBJECT:** Mortgage Foreclosure Counseling.

**FIRST AUTHOR:** Rep. Burton

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) *Mortgage Foreclosure Program*- The bill requires the Indiana Housing and Community Development Authority (the Authority) to establish a program to provide free mortgage foreclosure counseling and education to homeowners who have defaulted on or are in danger of defaulting on the mortgages on their homes. The bill provides that the program must include a central toll-free telephone number that homeowners may call to receive mortgage foreclosure counseling and education. The bill authorizes the Authority to award grants for the training of counselors who will provide mortgage foreclosure counseling and education. The bill provides that the Authority may establish standards for the certification of counselors.

*Assistance Fund*- The bill establishes the Foreclosure Prevention Counseling and Assistance Fund (the Assistance Fund) for purposes of carrying out the Authority's powers and duties under the program. The bill provides that \$1.00 of the mortgage recording fee shall be distributed to the Assistance Fund, and \$0.25 shall be distributed to the state General Fund (under current law \$1.25 of this fee is distributed to the state General Fund). Specifies that money in the fund is appropriated continuously to the Authority for the Authority's use in carrying out the program.

*Grants*- The bill provides that the Authority may solicit contributions and grants from the private sector, nonprofit entities, and the federal government to assist in carrying out the program.

*Legislative Council Report*- The bill requires the Authority to submit a report to the Legislative Council annually.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) *Mortgage Foreclosure Program*- The Authority would be able to use funds generated by \$1.00 of the \$1.25 portion of the mortgage recording fee currently placed in the General Fund. The bill would place this revenue into the Assistance Fund to cover the above listed expenditures. The Authority would administer the Assistance Fund. There may be expenditures to provide training grants for counselors. The Authority would have to establish a toll-free phone line. One toll-free provider listed package rates with monthly fees ranging from \$9.99 to \$99 and additional minute charges at \$0.029 to \$0.059 per minute.

*Legislative Council Report*- The Authority would accrue minimal expenditure to prepare electronic reports for the Legislative Council.

**Explanation of State Revenues:** (Revised) *Assistance Fund*- The bill would transfer \$1.00 of the \$1.25 portion of the mortgage recording fee currently deposited into the state General Fund to the Assistance Fund. FY 2006 revenue from the \$1.25 fee generated about \$553,500 from two funds (Home Ownership Education and General). \$1.00 of the \$1.25 General Fund portion transferred during FY 2006 would have totaled about \$442,800 with about \$110,700 remaining in the General Fund.

The Assistance Fund would consist of \$1.00 of the mortgage recording fee, any money appropriated by the General Assembly, gifts, grants, donations, bequests, devises, and contributions received by the Authority to operate the Mortgage Foreclosure Program. Money remaining in the Assistance Fund at the end of a state fiscal year would not revert back to the General Fund.

*Background*- Revenue from the mortgage recording fee has been deposited into the General Fund for 14 months (December 2005-January 2007). During that time span, the General Fund received about \$726,100 from the fee. Prior to December 2005, this portion of the fee was deposited into the Home Ownership Education Fund (HOEF). The Home Ownership Education Fund received approximately \$222,700 during its existence (June 2005-November 2005).

Combining the revenue deposited into the HOEF and the state General Fund shows that approximately \$948,800 has been collected from the \$1.25 portion of the fee since enactment of the Homeowner Protection Act.

On a fiscal year basis (July 2005-June 2006) the FY 2006 revenue from both funds totaled approximately \$553,500.

*Grants*- The Authority may attempt to secure grants from private, non-profit, and the federal government.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Housing and Community Development Authority.

**Local Agencies Affected:**

**Information Sources:** Brenda Alyea, State Auditor's Office, Budget Agency: Auditor's Database; [www.phonepeople.com](http://www.phonepeople.com).

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